

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Walkerville	County Oceana
Fiscal Year End 2/28/06	Opinion Date 6/6/06	Date Audit Report Submitted to State 7/10/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO** Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hendon & Slate, P.C.		Telephone Number 231-924-6890	
Street Address 711 West Main Street		City Fremont	State Zip MI 49412
Authorizing CPA Signature 		Printed Name Jodi DeKuiper	License Number 1101021180

**VILLAGE OF WALKERVILLE  
OCEANA COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**FEBRUARY 28, 2006**

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## **VILLAGE OF WALKERVILLE**

### List of Principal Individuals

	<u>Position</u>
Jerry Frick	President
Eva Amstutz	Treasurer
Valerie Aiken	Clerk/Assessor
Shirley Pearson	Deputy Clerk
Ernest Gilbert, Jr.	Trustee
Mary Johnson	Trustee
Jay Conklin	Trustee
Jim Yancy	Trustee
Walt Bogus	Trustee
Ernest Gilbert, Sr	Trustee



**Hendon & Slate, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS



Village Board  
Village of Walkerville  
Walkerville, MI

### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Walkerville, Michigan, as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Walkerville, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Walkerville, Michigan, as of February 28, 2006 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2006, on our consideration of the Village of Walkerville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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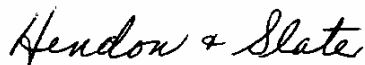
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June 6, 2006

Page 2

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 28 through 32, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Walkerville, Michigan's basic financial statements. The introductory section, combining and individual non major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, P.C.

Certified Public Accountants

June 6, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

### The Village as a Whole

The Village's combined net assets decreased 9% from a year ago - decreasing from \$714,954 to \$653,600. This was the result of major street repairs. In a condensed format, the table below shows key financial information:

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current Assets	\$ 48,233	\$ 55,154	\$ 5,074	\$ 14,144	\$ 53,307	\$ 69,298
Restricted Assets	-	-	175,120	185,618	175,120	185,618
Capital Assets	<u>306,788</u>	<u>284,291</u>	<u>446,071</u>	<u>451,596</u>	<u>752,859</u>	<u>735,887</u>
Total Assets	<u>\$ 355,021</u>	<u>\$ 339,445</u>	<u>\$ 626,265</u>	<u>\$ 651,358</u>	<u>\$ 981,286</u>	<u>\$ 990,803</u>
Current Liabilities	\$ 62,967	\$ 27,133	\$ 13,346	\$ 14,389	\$ 76,313	\$ 41,522
Noncurrent Liabilities	<u>35,254</u>	<u>46,565</u>	<u>179,762</u>	<u>187,762</u>	<u>215,016</u>	<u>234,327</u>
Total Liabilities	<u>\$ 98,221</u>	<u>\$ 73,698</u>	<u>\$ 193,108</u>	<u>\$ 202,151</u>	<u>\$ 291,329</u>	<u>\$ 275,849</u>
Net Assets						
Invested in Capital Assets-						
Net of Debt	\$ 260,224	\$ 226,716	\$ 258,309	\$ 255,834	\$ 518,533	\$ 482,550
Restricted	-	-	101,840	104,392	101,840	104,392
Unrestricted	<u>(3,424)</u>	<u>39,031</u>	<u>73,008</u>	<u>88,981</u>	<u>69,584</u>	<u>128,012</u>
Total Net Assets	<u>\$ 256,800</u>	<u>\$ 265,747</u>	<u>\$ 433,157</u>	<u>\$ 449,207</u>	<u>\$ 689,957</u>	<u>\$ 714,954</u>

Unrestricted net assets - the part of net assets that can be used to finance day to day operating, decreased by \$42,455 for the governmental activities. This represents a decrease of approximately 108.8%.

## Management's Discussion and Analysis (Continued)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Program Revenues						
Charges for Services	\$ 2,688	\$ 3,443	\$ 20,814	\$ 22,227	\$ 23,502	\$ 25,670
General Revenues						
Property Taxes	40,711	40,168	551	375	41,262	40,543
State Grants	75,235	74,791	-	-	75,235	74,791
Investment Earnings	439	605	8,732	9,339	9,171	9,944
Rents,Refunds,Other	5,420	2,765	850	-	6,270	2,765
Total Revenues	<u>\$ 124,493</u>	<u>\$ 121,772</u>	<u>\$ 30,947</u>	<u>\$ 31,941</u>	<u>\$ 155,440</u>	<u>\$ 153,713</u>
Program Expenses						
Legislative	\$ 21,057	\$ 21,241	\$ -	\$ -	\$ 21,057	\$ 21,241
General Government	23,096	22,883	-	-	23,096	22,883
Public Safety	16,035	19,583	-	-	16,035	19,583
Public Works	49,043	49,247	-	-	49,043	49,247
Rec and Culture	5,384	7,496	-	-	5,384	7,496
Unallocated Deprec	10,103	7,583	-	-	10,103	7,583
Interest on LT Debt	2,546	2,621	-	-	2,546	2,621
Other Functions	6,176	6,098	-	-	6,176	6,098
Loss on Disp Assets	-	1,350	-	-	-	1,350
Sewer Maintenance	-	-	34,052	30,911	34,052	30,911
Sewer Restricted	-	-	12,945	13,325	12,945	13,325
Total Expenses	<u>133,440</u>	<u>138,102</u>	<u>46,997</u>	<u>44,236</u>	<u>180,437</u>	<u>182,338</u>
Excess before special items	-	(16,330)	-	(12,295)	-	(28,625)
Prior Period Adj	-	4,182	-	(2,856)	-	1,326
Change in Net Assets	<u>\$ (8,947)</u>	<u>\$ (12,148)</u>	<u>\$ (16,050)</u>	<u>\$ (15,151)</u>	<u>\$ (24,997)</u>	<u>\$ (27,299)</u>

### Governmental Activities

The Village's total governmental revenues showed a slight increase of approximately \$2,700, while expenses decreased slightly by approximately \$4,600.

### Business-Type Activities

The Sewer Fund's net assets decreased by \$16,050, with revenues and expenses remaining constant.

### The Village's Fund

Our analysis of the Village's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. All of the Village's funds for 2006 are considered major.

## Management's Discussion and Analysis (Continued)

### General Fund Budgetary Highlights

Over the course of the year, the Village Board continually amended the budget to take into account events during the year. General Fund expenditure amendments reflected an overall increase in expenses.

### Capital Asset and Debt Administration

At the end of 2006, the Village had \$752,859 invested in a broad range of capital assets, including land, buildings, roads, vehicles, and equipment. No major capital asset events occurred during the year. The Village debt totals \$234,326, with \$19,310 due within one year.

### Economic Factors and Future Year Plans

The Village's budget for 2006 calls for a \$11,000 decrease in general fund expenses for public works. The Village also projects that state shared revenue will remain about the same as will property taxes.

### Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

# VILLAGE OF WALKERVILLE

## Government Wide Statement of Net Assets February 28, 2006

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>	<u>Total Primary Government</u>
<b>ASSETS</b>			
Cash	\$ 51	\$ 18,384	\$ 18,435
Accounts Receivable	4,924	17,260	22,184
Taxes Receivable	73,280	7,715	80,995
Internal Balances	(26)	26	-
Prepaid Insurance	125	4,848	4,973
Restricted Cash	101,840	-	101,840
Property and Equipment	802,517	526,353	1,328,870
Accumulated Depreciation	<u>(356,446)</u>	<u>(219,565)</u>	<u>(576,011)</u>
Total Assets	<u>\$ 626,265</u>	<u>\$ 355,021</u>	<u>\$ 981,286</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	\$ 75	\$ 45,573	\$ 45,648
Due to Employees	17	6,084	6,101
Deferred Revenue	5,254	-	5,254
Non-Current Liabilities			
Due Within One Year	8,000	11,310	19,310
Due in More Than One Year	<u>179,762</u>	<u>35,254</u>	<u>215,016</u>
Total Liabilities	<u>193,108</u>	<u>98,221</u>	<u>291,329</u>
<b>NET ASSETS</b>			
Invested in Capital Assets			
Net of Related Debt	258,309	260,224	518,533
Restricted Net Assets	101,840	-	101,840
Unrestricted Net Assets	<u>73,008</u>	<u>(3,424)</u>	<u>69,584</u>
Total Net Assets	<u><u>\$ 433,157</u></u>	<u><u>\$ 256,800</u></u>	<u><u>\$ 689,957</u></u>

The Notes to the Financial Statements are an integral part of this statement

# VILLAGE OF WALKERVILLE

## Government Wide Statement of Activities For the Fiscal Year Ended February 28, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government					
Governmental Activities					
Legislative	\$ 21,057	\$ -	\$ (21,057)	\$ -	\$ (21,057)
General Government	23,096	2,688	(20,408)	-	(20,408)
Public Safety	16,035	-	(16,035)	-	(16,035)
Public Works	49,043	-	(49,043)	-	(49,043)
Recreation and Culture	5,384	-	(5,384)	-	(5,384)
Interest on Debt	2,546	-	(2,546)	-	(2,546)
Other Functions	6,176	-	(6,176)	-	(6,176)
Unallocated Depreciation	10,103	-	(10,103)	-	(10,103)
Total Governmental Activities	133,440	2,688	(130,752)	-	(130,752)
Business-Type Activities					
Sewer Maintenance	34,052	18,049	-	(16,003)	(16,003)
Sewer Restricted	12,945	2,765	-	(10,180)	(10,180)
Total Business-Type Activities	46,997	20,814	-	(26,183)	(26,183)
Total Primary Government	<u>\$ 180,437</u>	<u>\$ 23,502</u>	(130,752)	(26,183)	(156,935)
General Revenues					
Property Taxes			40,711	551	41,262
State Grant			75,235	-	75,235
Interest Income			439	8,732	9,171
Rents			100	-	100
Refunds and Reimbursements			3,634	-	3,634
Miscellaneous			2,536	-	2,536
Transfers			(850)	850	-
Total General Revenues & Transfers			121,805	10,133	131,938
Changes in Net Assets			(8,947)	(16,050)	(24,997)
Net Assets - March 1, 2005			265,747	449,207	714,954
Net Assets - February 28, 2006			\$ 256,800	\$ 433,157	\$ 689,957

The Notes to the Financial Statements are an integral part of this statement.

# VILLAGE OF WALKERVILLE

## Governmental Fund Balance Sheet February 28, 2006

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 14,812	\$ 3,572	\$ -	\$ 18,384
Taxes Receivable	7,715	-	-	7,715
Accounts Receivable	4,705	7,807	4,748	17,260
Due from Other Funds	<u>1,828</u>	<u>1,296</u>	<u>-</u>	<u>3,124</u>
Total Assets	<u>29,060</u>	<u>12,675</u>	<u>4,748</u>	<u>46,483</u>
<b>LIABILITIES</b>				
Accounts Payable	1,000	44,391	182	45,573
Due to Employees	5,751	201	132	6,084
Due to Other Funds	<u>3,083</u>	<u>15</u>	<u>-</u>	<u>3,098</u>
Total Liabilities	<u>9,834</u>	<u>44,607</u>	<u>314</u>	<u>54,755</u>
<b>FUND BALANCES</b>				
Designated	2,500	-	-	2,500
Unreserved	<u>16,726</u>	<u>(31,932)</u>	<u>4,434</u>	<u>(10,772)</u>
Total Fund Balance	<u>19,226</u>	<u>(31,932)</u>	<u>4,434</u>	<u>(8,272)</u>
Total Liabilities and Fund Balance	<u>\$ 29,060</u>	<u>\$ 12,675</u>	<u>\$ 4,748</u>	<u>\$ 46,483</u>

The Notes to the Financial Statements are an integral part of this statement.

## VILLAGE OF WALKERVILLE

### Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets February 28, 2006

Total Governmental Fund Balances	\$	(8,272)
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Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Prepaid Insurance reflects amounts that will be used in a future period.	4,848
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	526,353
Governmental Accumulated Depreciation	(219,565)

Long-term liabilities, including notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net assets that are not reported in the funds balance sheet are:	(46,564)
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Total Net Assets - Governmental Activities:	<u>\$</u>	<u>256,800</u>
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The Notes to the Financial Statements are an integral part of this statement.

# VILLAGE OF WALKERVILLE

## Governmental Fund Statements of Revenue, Expenditures, and Changes in Fund Balance For the Year Ended February 28, 2006

	General Fund	Major Street Fund	Local Street Fund	Total Governmental Funds
Revenues				
Property Taxes	\$ 40,711	\$ -	\$ -	\$ 40,711
State Grants	30,040	33,562	11,633	75,235
Charges for Services	2,688	-	-	2,688
Interest	322	37	80	439
Rents	24,584	-	-	24,584
Refunds & Reimbursements	3,634	-	-	3,634
Licenses & Permits	25	-	-	25
Miscellaneous	2,511	-	-	2,511
Total Revenues	<u>104,515</u>	<u>33,599</u>	<u>11,713</u>	<u>149,827</u>
Expenditures				
Current				
Legislative	21,459	-	-	21,459
General Government	23,096	-	-	23,096
Public Safety	11,088	-	-	11,088
Public Works	22,931	65,474	22,669	111,074
Recreation & Culture	5,384	-	-	5,384
Other Functions	6,176	-	-	6,176
Debt Service				-
Principal	6,010	5,000	-	11,010
Interest	869	1,677	-	2,546
Total Expenditures	<u>97,013</u>	<u>72,151</u>	<u>22,669</u>	<u>191,833</u>
Excess Revenue Over (Under) Expenditures	7,502	(38,552)	(10,956)	(42,006)
Other Financing Sources (Uses)				
Operating Transfers In (Out)	<u>(33,901)</u>	<u>14,067</u>	<u>18,983</u>	<u>(851)</u>
Total Other Financing Sources (Uses)	<u>(33,901)</u>	<u>14,067</u>	<u>18,983</u>	<u>(851)</u>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(26,399)	(24,485)	8,027	(42,857)
Fund Balance - March 1	<u>45,625</u>	<u>(7,447)</u>	<u>(3,593)</u>	<u>34,585</u>
Fund Balance - February 28	<u><u>\$ 19,226</u></u>	<u><u>\$ (31,932)</u></u>	<u><u>\$ 4,434</u></u>	<u><u>\$ (8,272)</u></u>

The Notes to the Financial Statements are an integral part of this statement.

## VILLAGE OF WALKERVILLE

### Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended February 28, 2006

Net Change in Fund Balances - Total Governmental Funds \$ (42,857)

Amounts reported for governmental activities in the statement of activities are different because:

Prepaid Insurance reflects amounts that will be used in a future period:

Current Year Prepaid Insurance:	4,848	
Prior Year Prepaid Insurance:	<u>(4,446)</u>	402

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities:

Capital outlay reported in governmental fund statements	37,547
Depreciation expense reported in the statement of activities	(15,050)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditures, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of

The amount of long-term debt principal payments in the current year	<u>11,010</u>
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Changes in Net Assets - Governmental Activities	<u><u>\$ (8,948)</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

# VILLAGE OF WALKERVILLE

## Proprietary Fund Statement of Net Assets February 28, 2006

	Sewer Maintenance Fund	Sewer Restricted Fund	Total Proprietary Funds
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 51	\$ -	\$ 51
Accounts Receivable	4,924	-	4,924
Taxes Receivable	-	73,280	73,280
Prepaid Insurance	125	-	125
Internal Balances	1,943	(1,969)	(26)
Total Current Assets	<u>7,043</u>	<u>71,311</u>	<u>78,354</u>
<b>Noncurrent Assets</b>			
Restricted Cash	-	101,840	101,840
Net Capital Assets	446,071	-	446,071
Total Noncurrent Assets	<u>446,071</u>	<u>101,840</u>	<u>547,911</u>
Total Assets	<u>\$ 453,114</u>	<u>\$ 173,151</u>	<u>\$ 626,265</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 75	\$ -	\$ 75
Deferred Revenue	-	5,254	5,254
Current Long-Term Debt	-	8,000	8,000
Due to Employees	17	-	17
Total Current Liabilities	<u>92</u>	<u>13,254</u>	<u>13,346</u>
<b>Non-Current Liabilities</b>			
Long-Term Bonds	<u>-</u>	<u>179,762</u>	<u>179,762</u>
Total Liabilities	<u>92</u>	<u>193,016</u>	<u>193,108</u>
<b>NET ASSETS</b>			
Invested in Capital Assets			
- Net of Debt	446,071	(187,762)	258,309
Restricted Assets - Expendable	-	101,840	101,840
Unrestricted	<u>6,951</u>	<u>66,057</u>	<u>73,008</u>
Total Net Assets	<u>\$ 453,022</u>	<u>\$ (19,865)</u>	<u>\$ 433,157</u>

The Notes to the Financial Statements are an integral part of this statement.

# VILLAGE OF WALKERVILLE

## Proprietary Fund Statement of Revenue, Expenses and Changes in Net Assets For the Year Ended February 28, 2006

	Sewer Maintenance Fund	Sewer Restricted Fund	Total Proprietary Funds
Operating Revenues			
Fees	\$ 18,049	\$ 2,765	\$ 20,814
Taxes	-	551	551
Total Operating Revenues	18,049	3,316	21,365
Operating Expenses			
Payroll Expenses	4,802	-	4,802
Supplies and Insurance	1,374	-	1,374
Professional & Contracted Services	2,377	-	2,377
Utilities	138	-	138
Services	10,355	-	10,355
Licenses	1,950	-	1,950
Equipment Rental	1,161	-	1,161
Miscellaneous	29	-	29
Depreciation	11,866	-	11,866
Total Operating Expenses	34,052	-	34,052
Operating Income (Loss)	(16,003)	3,316	(12,687)
Non-Operating Revenues			
Interest Income	576	8,156	8,732
Interest Expense	-	(11,520)	(11,520)
Other Non-Operating Expenses	-	(1,425)	(1,425)
Total Non-Operating Revenue (Expenses)	576	(4,789)	(4,213)
Income (Loss) Before Transfers	(15,427)	(1,473)	(16,900)
Transfers From Other Funds	850	-	850
Changes in Net Assets	(14,577)	(1,473)	(16,050)
Total Net Assets - Beginning	467,599	(18,392)	449,207
Total Net Assets - Ending	\$ 453,022	\$ (19,865)	\$ 433,157

The Notes to the Financial Statements are an integral part of this statement.

# VILLAGE OF WALKERVILLE

## Proprietary Fund Statement of Cash Flows February 28, 2006

	Sewer Maintenance Fund	Sewer Restricted Fund	Total Proprietary Funds
<b>Cash Flows From Operating Activities</b>			
Receipts from Customers	\$ 19,775	\$ -	\$ 19,775
Receipts from Property Taxes	-	10,237	10,237
Payments for Employees	(3,782)	-	(3,782)
Payments to Suppliers	(16,868)	-	(16,868)
Net Cash Provided (Used) by Operating Activities	(875)	10,237	9,362
<b>Cash Flows From Noncapital Financial Activities</b>			
Payments for Services	-	(1,425)	(1,425)
Transfer in From Other Funds	850	-	850
Net Cash Provided (Used) by Noncapital Financing Activities	850	(1,425)	(575)
<b>Cash Flows From Capital and Related Financing Activities</b>			
Principal and Interest on Capital Debt	-	(19,520)	(19,520)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	-	(19,520)	(19,520)
<b>Cash Flows From Investing Activities</b>			
Interest	576	8,156	8,732
Interest on Restricted Cash	-	-	-
Purchase of Equipment	(6,341)	-	(6,341)
Net Cash Flow Provided (Used) by Investing Activities	(5,765)	8,156	2,391
Net Increase (Decrease) in Cash	(5,790)	(2,552)	(9,192)
Cash Balance - Beginning of Year	5,841	104,392	110,233
Cash Balance - End of Year	<u>\$ 51</u>	<u>\$ 101,840</u>	<u>\$ 101,041</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (Loss)	\$ (16,003)	\$ 3,316	\$ (12,687)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation Expense	11,866	-	11,866
Change in Assets and Liabilities			
Decrease in Accounts Receivable	1,726	-	1,726
Decrease in Due From Other Funds	475	-	475
Decrease in Taxes Receivable	-	7,946	7,946
Decrease in Prepaid Expenses	9	-	9
(Decrease) in Accounts Payable	(510)	-	(510)
Increase (Decrease) in Due To Other Funds	1,545	(475)	1,070
Increase in Wages Payable	17	-	17
(Decrease) in Deferred Revenue	-	(550)	(550)
Net Cash Provided by Operating Activities	<u>\$ (875)</u>	<u>\$ 10,237</u>	<u>\$ 9,362</u>

The Notes to the Financial Statements are an integral part of this statement.

## VILLAGE OF WALKERVILLE

### Notes to the Financial Statements For the Fiscal Year Ended February 28, 2006

#### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Walkerville conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by the Village of Walkerville.

##### 1 Reporting Entity

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

- a. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
- b. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

##### 2 Joint Ventures

Walkerville Area Fire & Rescue Department - The Village is a member of the Walkerville Area Fire & Rescue Department, which was organized to provide emergency fire & rescue protection to its member units. It is a joint venture of six governmental units governed by a board composed of representatives from each of the respective member units. It is funded through contributions from each member unit based on its State Equalized Valuation. The Village does not report an equity interest in this joint venture in these financial statements because the Village does not have an explicit and measurable right to the joint venture's resources. The Village is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial information based on the February 28, 2005 audit report of the Walkerville Area Fire & Rescue Department follows:

## Notes to the Financial Statements (Continued)

Assets	
Current	\$ 145,602
Noncurrent	-
Total Assets	<u>145,602</u>
Liabilities	
Current	-
Noncurrent	-
Total Liabilities	-
Fund Balance	<u>\$ 145,602</u>
Operating Revenues	\$ 183,661
Operating Expenses	<u>(142,450)</u>
Net gain (loss)	<u>\$ 41,211</u>

Complete financial statements for Walkerville Area Fire & Rescue Department may be obtained from offices at the Walkerville Area Fire & Rescue Department, 175 Main Street, Walkerville, MI 49459.

### 3 Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

4 Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are record only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

a. State of Michigan Receivable

State Shared Revenue is distributed in six installments per year. Often the last payment has not been received by February 28; therefore, a receivable is recorded for this amount. For fiscal year-end February 28, 2006, this amount was \$4,705 in the General Fund.

The Major Streets and Local Street Funds also receive monthly installments from the State of Michigan for Act 51 Transportation. As of February 28, 2006, neither the January nor February 2006 payments had been received. Receivables totaling \$7,807 and \$4,748 have been recorded for the Major streets and Local Street Funds respectively.

b. Property Taxes Receivable

The Village property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Village as of the preceding December 31st. The taxes are due on September 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2005 delinquent taxes of \$7,715 were not received by year-end, thus taxes receivable have been recorded. Although the property taxes receipt exceeded 60 days, it was soon enough to pay current liabilities and thus recorded as revenue for the current year.

The 2005 taxable valuation of the Village totaled \$2,868,317 on which ad valorem taxes levied consisted of 13.832 mills for general operating, raising \$40,395. This amount is recognized in the general fund financial statements as current tax revenue.

The Sewer Restricted Fund taxes receivable of \$73,280 represents special assessment taxes billed to fund the repayment of the construction notes. Property owners may pay these taxes with interest over twenty-five years.

The government reports the following major governmental funds and proprietary funds:

#### Governmental Funds

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, grants and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. (Major Street and Local Street Funds.)

#### Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations that (A) are financed and operated in a manner similar to private business enterprise – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (B) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. (Sewer Maintenance and Sewer Restricted Funds.)

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

#### 5 Assets, Liabilities, and Net Assets or Equity

**Bank Deposits and Investments** - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

**Inventories and Prepaid Items** - Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

**Restricted Assets and Restricted Net Assets** - The general obligation bonds in the Sewer Restricted Fund requires amounts to be set aside for debt service of interest and principal. Cash is restricted for deposits in bank accounts legally restricted primarily for the payment of debt service.

Net assets restricted for debt service include the excess of liabilities over assets restricted for the debt service on revenue bonds. The government-wide statements include restricted net assets of \$101,840 restricted for debt service.

**Capital Assets** - Capital assets, which include property and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In accordance with GASB 34, infrastructure asset costs incurred prior to March 1, 2004 are not included in the financial statements.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

## Notes to the Financial Statements (Continued)

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Vehicles	3 to 5 years
Office Equipment	3 to 5 years
General Equipment	5 to 20 years
Streets and Highways	20 to 30 years

Salvage value is estimated at 10% of cost

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and the proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financial uses. Issuance costs are reported as debt service expenditures. The Village long-term debt is related to equipment purchases, major street improvements, and the construction of a sewer project.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Village has designated \$2,500 for future equipment purchases in the general fund.

Deficit Equity - The Village has an accumulated retained earnings deficit in the Proprietary Fund - Sewer Restricted Fund of \$19,865, and the Special Revenue Major Street Fund of \$31,932. Public Act 275 of 1980 requires that the Village of Walkerville file a deficit elimination plan within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition.

**NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. the Village approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Village does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were materially in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>
General Fund - Debt Service	\$ -	\$ 6,879
Major Street Fund - Public Works	36,550	72,151
Local Street Fund - Public Works	10,825	22,668
Sewer Maintenance Depreciation	-	11,866

**NOTE C DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Village is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village Board has designated West Shore Bank for the deposit of Local Unit funds.

The Village's deposits and investment policy are in accordance with statutory authority.

Notes to the Financial Statements (Continued)

The Village 's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Proprietary Activities	Total Primary Government
Cash and Cash Equivalents	\$ 18,384	\$ 101,891	\$ 120,275

The bank balance of the Village 's deposits is \$129,967, of which \$106,960 is covered by federal depository insurance, \$23,007 is uninsured.

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits the Village funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are normally categorized to give an indication of the level of risk assumed by the Village; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The Village does not have any cash management funds.

NOTE D RECEIVABLES

Receivables as of year-end for the Village 's individual major and nonmajor funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

	State of Michigan	Resident Receivables	Net Recivables
General Fund	\$ 4,705	\$ -	\$ 4,705
Major Streets Fund	7,807	-	7,807
Local Streets Fund	4,748	-	4,748
Sewer Maintenance Fund	-	4,924	4,924
Total	<u>\$ 17,260</u>	<u>\$ 4,924</u>	<u>\$ 22,184</u>

Notes to the Financial Statements (Continued)

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

<b>Governmental Activities</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being depreciated				
Land	\$ 37,897	\$ -	\$ -	\$ 37,897
Capital Assets Being Depreciated				
Buildings	330,704	-	-	330,704
General Equipment	98,261	-	-	98,261
Highways and Streets	21,944	37,547	-	59,491
Subtotal	488,456	37,547	-	488,456
Less Accumulated Depreciation for				
Buildings	164,061	5,363	-	169,424
General Equipment	40,454	8,497	-	48,951
Highways and Streets	-	1,190	-	1,190
Subtotal	219,565	15,050	-	219,565
Net Capital Assets being depreciated	268,891	22,497	-	268,891
Total Governmental Activities Capital Assets - Net of Depreciation	<u>\$ 306,788</u>	<u>\$ 22,497</u>	<u>\$ -</u>	<u>\$ 306,788</u>
<b>Business-Type Activities</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being depreciated				
Land	\$ 21,888	\$ -	\$ -	\$ 21,888
Capital Assets Being Depreciated				
Machinery and Equipment	184,176	-	-	184,176
Maining and Pumping Equipment	590,112	6,341	-	596,453
Subtotal	780,629	6,341	-	780,629
Less Accumulated Depreciation for				
Machinery and Equipment	184,176	-	-	184,176
Maining and Pumping Equipment	160,404	11,866	-	172,270
Subtotal	356,446	11,866	-	356,446
Net Capital Assets being Depreciated	424,183	(5,525)	-	424,183
Business-Type Activities Total Capital Assets - Net of Depreciation	<u>\$ 446,071</u>	<u>\$ (5,525)</u>	<u>\$ -</u>	<u>\$ 446,071</u>

Notes to the Financial Statements (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Unallocated	\$ 10,103
Public Safety	<u>4,947</u>
Total Governmental Activities	<u>\$ 15,050</u>
Business-Type Activities	
Sewer	<u>\$ 11,866</u>

NOTE F INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund (Due From)		Payable Fund (Due To)	
General Fund	\$ 1,828	General Fund	\$ 3,083
Sewer Maintenance	3,756	Major Street	15
Sewer Assessment	756	Local Street	-
Major Street	1,296	Sewer Maintenance	1,813
		Sewer Assessment	<u>2,725</u>
	<u>\$ 7,636</u>		<u>\$ 7,636</u>

Interfund Transfers (to cover operating expenses)

	<u>Transfers (Out)</u>
	<u>General Fund</u>
<u>Transfers In</u>	
Major Street Fund	\$ 14,067
Local Street Fund	18,984
Sewer Maintenance Fund	<u>850</u>
	<u>\$ 33,901</u>

NOTE G LONG-TERM DEBT

Governmental Activities:

Michigan Municipal Bond Authority - The Village entered into a contract with the State on June 23, 1995, to borrow \$80,000 to be used for major street improvements. Interest is payable semi-annually on August 1 and February 1 at the rate of 6% until August 1, 2004 and then 6.5% for the remainder of the loan. Principal payments are due on August 1 with the final payment due August 1, 2009.

Notes to the Financial Statements (Continued)

Annual requirements to amortize the outstanding bonds at February 28, 2006 are as follows, including interest payments of \$5,416.

Michigan	
<u>Year</u>	<u>Bond Authority</u>
2006-2007	\$ 6,625
2007-2008	6,300
2008-2009	5,975
2009-2010	<u>10,650</u>
Total Principal and Interest	29,550
Less: Interest	<u>4,550</u>
Total Principal	<u><u>\$ 25,000</u></u>

Westshore Bank - Police Car Loan - During 2003-2004, the Village of Walkerville entered into an agreement with Westshore Bank for a note payable in the amount of \$12,000 for the purchase of a new police car. The note is due in monthly payments of \$218.56 through February 3, 2009. Interest is payable at 3.5%.

Annual requirements to amortize the note payable at February 28, 2006 are as follows:

Westshore	
<u>Year</u>	<u>Bank</u>
2006-2007	\$ 2,622
2007-2008	2,622
2008-2009	<u>2,404</u>
Total Principal and Interest	7,648
Less: Interest	<u>400</u>
Total Principal	<u><u>\$ 7,248</u></u>

Westshore Bank - DPW Truck - During 2004-2005, the Village of Walkerville entered into an agreement with Westshore Bank for a note payable in the amount of \$19,500 for the purchase of a GMC Road Grader. The note is due in monthly payments of \$354.74 through September 2009. Interest is payable at 3.5%.

Annual requirements to amortize the note payable at February 28, 2006 are as follows:

Westshore	
<u>Year</u>	<u>Bank</u>
2006-2007	\$ 4,257
2007-2008	4,257
2008-2009	4,257
2009-2010	<u>2,483</u>
Total Principal and Interest	15,254
Less: Interest	<u>938</u>
Total Principal	<u><u>\$ 14,316</u></u>

Notes to the Financial Statements (Continued)

The following is a summary of Governmental Funds Debt transactions for the year:

	Michigan Municipal Bond <u>Authority</u>	Westshore Bank <u>Police Car</u>	Westshore Bank <u>DPW Truck</u>	<u>Total</u>
Debt Payable - Beginning	30,000	9,573	18,002	57,575
Debt Proceeds	-	-	-	-
Debt Retired	<u>(5,000)</u>	<u>(2,325)</u>	<u>(3,686)</u>	<u>(11,011)</u>
Debt Payable - End of the Year	<u>\$ 25,000</u>	<u>\$ 7,248</u>	<u>\$ 14,316</u>	<u>\$ 46,564</u>
Due within one year	<u>\$ 5,000</u>	<u>\$ 2,493</u>	<u>\$ 3,817</u>	<u>\$ 11,310</u>

Business Type Activities:

Rural Economic and Community Development - The Village Sewer Fund entered into a contract with the U.S. Department of Agriculture on September 13, 1989 to borrow \$275,000 to be used to finance the construction of a sewer project. Interest is payable at the rate of 6.0% with the final payment due in 2019. Following is a schedule of the minimum payments due as of February 28, 2006, including interest payments of \$76,380.

<u>Year</u>	<u>Amount</u>
2006-2007	\$ 20,010
2007-2008	19,470
2008-2009	20,200
2009-2010	20,600
2010-2011	19,940
Subsequent Years	<u>163,922</u>
Total Principal and Interest	264,142
Less: Interest	<u>(76,380)</u>
Total Principal	<u>\$ 187,762</u>
Due within one year	<u>\$ 8,000</u>

NOTE H CASH FLOWS

Cash paid for interest by the Village for the Proprietary Fund was \$11,520, which equals the interest expense and the total interest incurred for the year.

Notes to the Financial Statements (Continued)

NOTE I      RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Village carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE J      SUBSEQUENT EVENTS

On March 3, 2006, the major street fund borrowed \$40,000 from the sewer assessment fund to finance major street engineering charges. The major street fund will repay the sewer fund in monthly installments of \$500 beginning March 2006 until March 2010 when this amount will change to two annual installments of \$6,000 plus \$500 monthly installments. Interest on this loan will be at 3.5% .

# VILLAGE OF WALKERVILLE

## Required Supplementary Information Budgetary Comparison Schedule for General Fund For the Year Ended February 28, 2006

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance	\$ 53,859	\$ 23,102	\$ 45,625	\$ 22,523
Resources (Inflows)				
Property Taxes	42,000	55,400	40,711	(14,689)
State Shared Revenue	30,000	30,000	30,040	40
Charges for Services	4,500	4,500	2,688	(1,812)
Interest	800	800	322	(478)
Rents	1,000	1,000	24,584	23,584
Refunds and Reimbursements	3,000	4,300	4,484	184
Business Licenses and Permits	25	25	25	-
Operating Transfers In	45,000	45,000	-	(45,000)
Miscellaneous	-	-	1,661	1,661
Amounts Available for Appropriation	180,184	164,127	150,140	(13,987)
Charges to Appropriations (Outflows)				
Legislative	20,500	21,285	21,459	(174)
General Government	20,050	22,070	23,096	(1,026)
Public Safety	19,000	13,520	11,088	2,432
Public Works	28,500	27,965	22,931	5,034
Recreation and Culture	5,000	5,400	5,384	16
Debt Service	-	-	6,879	(6,879)
Operating Transfers Out	26,775	45,525	33,901	11,624
Other	6,500	6,020	6,176	(156)
Total Charges to Appropriation	126,325	141,785	130,914	10,871
Budgetary Fund Balance-Feb 28, 2006	\$ 53,859	\$ 22,342	\$ 19,226	\$ (3,116)

# VILLAGE OF WALKERVILLE

## Required Supplementary Information Budgetary Comparison Schedule for Major Streets Fund For the Year Ended February 28, 2006

	Budgeted Amounts			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 11,936	\$ 10,693	\$ (7,447)	\$ (18,140)
Resources (Inflows)				
State Shared Revenue	30,000	33,000	33,562	562
Operating Transfers In	-	3,500	14,067	10,567
Interest	<u>50</u>	<u>50</u>	<u>37</u>	<u>(13)</u>
Amounts Available for Appropriation	41,986	47,243	40,219	(7,024)
Charges to Appropriations (Outflows)				
Routine Maintenance			12,981	
Winter Maintenance			14,118	
Construction			37,546	
Administration			829	
Debt Service			<u>6,677</u>	
Total Charges to Appropriation	<u>30,050</u>	<u>36,550</u>	<u>72,151</u>	<u>(35,601)</u>
Budgetary Fund Balance-Feb 28, 2006	<u><u>\$ 11,936</u></u>	<u><u>\$ 10,693</u></u>	<u><u>\$ (31,932)</u></u>	<u><u>\$ (42,625)</u></u>

# VILLAGE OF WALKERVILLE

## Required Supplementary Information Budgetary Comparison Schedule for the Local Streets Fund For the Year Ended February 28, 2006

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 4,939	\$ 4,889	\$ (3,593)	\$ (8,482)
Resources (Inflows)				
State Shared Revenue	9,500	10,800	11,633	833
Interest	25	25	80	55
Operating Transfers In	<u>-</u>	<u>-</u>	<u>18,983</u>	<u>18,983</u>
Amounts Available for Appropriation	14,464	15,714	27,103	11,389
Charges to Appropriations (Outflows)				
Routine Maintenance			12,000	
Winter Maintenance			9,790	
Administration			<u>879</u>	
Total Charges to Appropriation	<u>9,525</u>	<u>10,825</u>	<u>22,669</u>	<u>(11,844)</u>
Budgetary Fund Balance-Feb 28, 2006	<u><u>\$ 4,939</u></u>	<u><u>\$ 4,889</u></u>	<u><u>\$ 4,434</u></u>	<u><u>\$ (455)</u></u>

# VILLAGE OF WALKERVILLE

## Required Supplementary Information Budgetary Comparison Schedule for the Sewer Maintenance Fund For the Year Ended February 28, 2006

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Retained Earnings	\$ 44,257	\$ 39,008	\$ 467,599	\$ 428,591
Resources (Inflows)				
Fees	24,000	24,000	18,049	(5,951)
Operating Transfers In	-	821	850	29
Interest	<u>550</u>	<u>550</u>	<u>576</u>	<u>26</u>
Amounts Available for Appropriation	68,807	64,379	487,074	422,695
Charges to Appropriations (Outflows)				
Salaries and Wages	1,925	3,875	4,802	(927)
Insurance and Supplies	5,000	5,000	1,374	3,626
Utilities	150	150	138	12
Operating Services	10,500	10,500	10,355	145
Professional Services	1,325	2,125	2,377	(252)
Licenses	1,950	-	1,950	(1,950)
Equipment Rental	-	-	1,161	(1,161)
Miscellaneous	-	-	29	(29)
Depreciation	-	-	11,866	(11,866)
Transfers Out	<u>3,700</u>	<u>3,721</u>	<u>-</u>	<u>3,721</u>
Total Charges to Appropriation	<u>24,550</u>	<u>25,371</u>	<u>34,052</u>	<u>(8,681)</u>
Budgetary Retained Earnings - February 28, 2006	<u>\$ 44,257</u>	<u>\$ 39,008</u>	<u>\$ 453,022</u>	<u>\$ 414,014</u>

# VILLAGE OF WALKERVILLE

## Required Supplementary Information Budgetary Comparison Schedule for the Sewer Restricted Fund For the Year Ended February 28, 2006

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Retained Earnings	\$ (16,937)	\$ (19,262)	\$ (18,392)	\$ 870
Resources (Inflows)				
Fees	3,700	-	2,765	2,765
Taxes	8,000	8,000	551	(7,449)
Interest on Investments	800	800	3,047	2,247
Interest on Assessments	<u>4,000</u>	<u>4,000</u>	<u>5,109</u>	<u>1,109</u>
Amounts Available for Appropriation	(437)	(6,462)	(6,920)	(458)
Charges to Appropriations (Outflows)				
Interest Expense	15,175	15,175	11,520	3,655
Other Expenses	<u>1,325</u>	<u>1,325</u>	<u>1,425</u>	<u>(100)</u>
Total Charges to Appropriation	<u>16,500</u>	<u>16,500</u>	<u>12,945</u>	<u>3,555</u>
Budgetary Retained Earnings - February 28, 2006	<u><u>\$ (16,937)</u></u>	<u><u>\$ (22,962)</u></u>	<u><u>\$ (19,865)</u></u>	<u><u>\$ 3,097</u></u>

# VILLAGE OF WALKERVILLE

## Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund For the Year Ended February 28, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Property Taxes	\$ 55,400	\$ 40,711	\$ (14,689)
State Shared Revenue and Other Grants	30,000	30,040	40
Charges for Services	2,500	413	(2,087)
Cemetery	2,000	2,275	275
Interest	800	322	(478)
Rents	1,000	24,584	23,584
Refunds and Reimbursements	3,300	3,634	334
United Way	1,000	850	(150)
Miscellaneous	-	1,661	1,661
Business Licenses and Permits	<u>25</u>	<u>25</u>	<u>-</u>
Total Revenues	\$ 96,025	\$ 104,515	\$ 8,490
Expenditures			
Legislative			
Village Council			
Salaries		\$ 4,339	
Supplies		108	
Services		39	
Audit		3,865	
Community Programs		1,069	
Printing and Publications		1,181	
Insurance		9,671	
Miscellaneous		<u>681</u>	
	\$ 20,775	<u>20,953</u>	\$ (178)
Youth Club			
Salaries		109	
Utilities		<u>397</u>	
	<u>510</u>	<u>506</u>	<u>4</u>
Total Legislative	21,285	21,459	(174)
General Government			
Elections			
Salaries	50	414	(364)
Clerk / Assessor			
Salaries	\$ 8,000	\$ 8,354	\$ (354)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Treasurer			
Salaries		\$ 2,665	
Supplies		139	
	\$ 2,600	2,804	\$ (204)
Cemetery			
Salaries		5,416	
Supplies		712	
Services		200	
Utilities		176	
	6,310	6,504	(194)
Office			
Salaries		70	
Supplies		1,161	
Utilities		1,790	
Services		1,999	
	<u>5,110</u>	<u>5,020</u>	<u>90</u>
Total General Government	22,070	23,096	(1,026)
Public Safety			
Police Department			
Salaries		8,964	
Supplies		1,464	
Services		641	
Utilities		19	
Total Public Safety	13,520	11,088	2,432
Public Works			
Refuse Collection			
Services	2,500	2,455	45
Street Lighting			
Utilities	3,700	3,682	18
Department of Public Works			
Salaries		6,302	
Supplies		6,792	
Services		253	
Utilities		3,447	
	<u>21,765</u>	<u>16,794</u>	<u>4,971</u>
Total Public Works	27,965	22,931	5,034

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Recreation and Culture			
Park			
Salaries		4,660	
Supplies		380	
Services		65	
Utilities		<u>279</u>	
Total Recreation and Culture	5,400	5,384	16
Debt Service			
Principal		6,010	
Interest		<u>869</u>	
Total Debt Service	-	6,879	(6,879)
Unallocated			
Fringe Benefits Including Penalties and Interest	4,300	4,456	(156)
Other Functions			
United Way			
Supplies	<u>1,720</u>	<u>1,720</u>	<u>-</u>
Total Expenditures	<u>96,260</u>	<u>97,013</u>	<u>(753)</u>
Excess Revenues Over (Under) Expenditures	(235)	7,502	7,737
Other Financing Sources (Uses)			
Operating Transfers In	45,000	-	(45,000)
Operating Transfers Out	<u>(45,525)</u>	<u>(33,901)</u>	<u>11,624</u>
Total Other Financing Sources (Uses)	<u>(525)</u>	<u>(33,901)</u>	<u>(33,376)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (760)</u>	(26,399)	<u>\$ (25,639)</u>
Fund Balance - Beginning of Year		<u>45,625</u>	
Fund Balance - End of Year		<u>\$ 19,226</u>	

# VILLAGE OF WALKERVILLE

## Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Street Fund For the Year Ended February 28, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
State Shared Revenue	\$ 33,000	\$ 33,562	\$ 562
Interest	<u>50</u>	<u>37</u>	<u>(13)</u>
Total Revenues	33,050	33,599	549
Expenditures			
Public Works			
Routine Maintenance		12,981	
Winter Maintenance		14,118	
Construction		37,546	
Administration		<u>829</u>	
Total Public Works	29,850	65,474	(35,624)
Debt Service			
Principal		5,000	
Interest		<u>1,677</u>	
Total Debt Service	<u>6,700</u>	<u>6,677</u>	<u>23</u>
Total Expenditures	<u>36,550</u>	<u>72,151</u>	<u>(35,601)</u>
Excess Revenues Over (Under) Expenditures	(3,500)	(38,552)	(35,052)
Other Financing Sources (Uses)			
Operating Transfers In	<u>3,500</u>	<u>14,067</u>	<u>10,567</u>
Total Other Financing Sources (Uses)	<u>3,500</u>	<u>14,067</u>	<u>10,567</u>
Excess Revenues Over (Under) Expenditures	<u>\$ -</u>	(24,485)	<u>\$ (24,485)</u>
Fund Balance - Beginning of Year		<u>(7,447)</u>	
Fund Balance - End of Year		<u>\$ (31,932)</u>	

# VILLAGE OF WALKERVILLE

## Statement Of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Local Street Fund For the Year Ended February 28, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
State Shared Revenue	\$ 10,800	\$ 11,633	\$ 833
Interest	<u>25</u>	<u>80</u>	<u>55</u>
Total Revenues	10,825	11,713	888
 Expenditures			
Public Works			
Routine Maintenance		12,000	
Winter Maintenance		9,790	
Administration		<u>879</u>	
Total Expenditures	<u>10,825</u>	<u>22,669</u>	<u>(11,844)</u>
 Excess Revenues Over (Under) Expenditures	-	(10,956)	(10,956)
 Other Financing Sources (Uses)			
Operating Transfers In	<u>-</u>	<u>18,983</u>	<u>18,983</u>
 Excess Revenues Over (Under) Expenditures	<u>\$ -</u>	8,027	<u>\$ 8,027</u>
 Fund Balance - Beginning of Year		<u>(3,593)</u>	
 Fund Balance - End of Year		<u>\$ 4,434</u>	

## VILLAGE OF WALKERVILLE

### Statement of Revenues, Expenditures and Changes in Retained Earnings - Budget and Actual - Sewer Maintenance Fund For the Year Ended February 28, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Operating Income			
Fees	\$ 24,000	\$ 18,049	\$ (5,951)
Operating Expenses			
Salaries and Wages	3,875	4,802	927
Insurance and Supplies	5,000	1,374	(3,626)
Utilities	150	138	(12)
Services - Operating	10,500	10,355	(145)
Professional Services	2,125	2,377	252
Licenses	-	1,950	1,950
Equipment Rental	-	1,161	1,161
Miscellaneous	-	29	29
Depreciation	<u>-</u>	<u>11,866</u>	<u>11,866</u>
Total Operating Expenses	<u>21,650</u>	<u>34,052</u>	<u>12,402</u>
Operating Income (Loss)	2,350	(16,003)	(18,353)
Non-Operating Revenues (Expenses)			
Interest Income	550	576	26
Transfer In	821	850	29
Transfer Out	<u>(3,721)</u>	<u>-</u>	<u>3,721</u>
Net Non-Operating Revenues (Expenses)	<u>(2,350)</u>	<u>1,426</u>	<u>3,776</u>
Net Income (Loss)	<u><u>\$ -</u></u>	(14,577)	<u><u>\$ (14,577)</u></u>
Net Assets - Beginning of Year		<u>467,599</u>	
Net Assets - End of Year		<u><u>\$ 453,022</u></u>	

# VILLAGE OF WALKERVILLE

## Statement of Revenues, Expenditures and Changes in Retained Earnings - Budget and Actual - Sewer Restricted Fund For the Year Ended February 28, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Operating Income			
Fees	\$ -	\$ 2,765	\$ 2,765
Taxes	<u>8,000</u>	<u>551</u>	<u>(7,449)</u>
Total Operating Income	8,000	3,316	(4,684)
Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Operating Income (Loss)	8,000	3,316	(7,449)
Non-Operating Revenues (Expenses)			
Interest on Assessments	4,000	5,109	1,109
Interest Income on Investments	800	3,047	2,247
Interest Expense	(15,175)	(11,520)	3,655
Other Expense	(1,325)	(1,425)	(100)
Transfer In	<u>3,700</u>	<u>-</u>	<u>(3,700)</u>
Net Non-Operating Revenues (Expenses)	<u>(8,000)</u>	<u>(4,789)</u>	<u>3,211</u>
Net Income (Loss)	<u><u>\$ -</u></u>	(1,473)	<u><u>\$ (4,238)</u></u>
Net Assets - Beginning of Year		<u>(18,392)</u>	
Net Assets - End of Year		<u><u>\$ (19,865)</u></u>	



**Hendon & Slate, P.C.**  
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS*

To the Village Council  
Village of Walkerville, Michigan

We have audited the general purpose financial statements of Village of Walkerville, Michigan, as of and for the year ended February 28, 2006, and have issued our report thereon dated June 6, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Village of Walkerville, Michigan's general purpose financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Walkerville, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting over financial reporting that might be material

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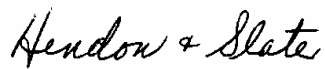
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weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management and federal awarding agencies and pass-through entities.

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, P.C.

Fremont, MI

June 6, 2006

# Companies



**Hendon & Slate, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS



June 23, 2006

Council Members  
Village of Walkerville  
Walkerville, Michigan

Dear Council Members:

In connection with our audit of the Village of Walkerville as of and for the year ended February 28, 2006, we offer the following comments and recommendations.

## Prior Year Recommendations

We are pleased to see that the Village implemented last years recommendations by adopting a written investment policy that is required by P.A. 196 of 1997, as well as a capitalization policy required by GASB 34.

## Written Policies

During the audit, we noticed that some invoices are not paid until approved by the board while others are paid before council meetings. While we understand that it is impractical to hold recurring payments with due dates until council meetings, we suggest that the Village's practice of paying certain bills without prior authorization be formally approved in writing.

## Budget Overexpenditures

During our audit, we noted a few instances of budgeted expenditures exceeding budgeted revenues. We recommend that the board continue to compare actual expenditures to budgeted expenditures on a regular basis and make amendments as needed to avoid overexpenditures.

## Internal Control

During our audit, we noticed that several of the hourly employee's time sheets did not contain signatures for approval of their time for the pay period. We also noticed that there were checks written with no time sheet attached. We recommend that all hourly employees use time sheets and that each time sheet be approved by someone authorized by the council.

## Deficits

The Village has accumulated a net asset deficit in the Sewer Restricted Proprietary Fund of \$17,015. Public Act 275 of 1980 requires that the Village of Walkerville file a deficit elimination plan within 90 days after the end of the fiscal year for each fund that ended in a deficit condition. During the current year the deficit was decreased by \$1,377. It doesn't appear that you will be able to reduce the deficit fund balance in the near future with current estimates, however, it is likely that it will be eliminated within the life of the long-term debt.

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June 23, 2006

Page 2

The Major Street Fund also reflected a fund balance deficit for the year ended February 28, 2006. The deficit of \$31,932 was largely due to the amount owed to Norlund and Associates at the end of the year. Although the Council has approved the loan between Major Street and Sewer Restricted Funds to cover the payment of the Norlund and Associates liability, the Major Street will continue to have a deficit fund balance for several years, until the loan between the funds is repaid. Therefore, there is also a deficit reduction plan required for this fund.

Assessments

The Village continues to collect an additional \$1.40 per unit per month for debt service. As of February 28, 2006 the following was the position of the Council in relation to the amount available and to be provided for the cancellation of long-term debt and interest.

<u>Assets to Repay Loan and Interest</u>		<u>Loan Balance at 2/28/06</u>	
Cash Set Aside for Debt Repayment	\$ 101,840	Note Payable	\$ 187,762
Interest to be Collected on Cash Balance		Interest Payable	76,380
Invested (and Loan to MS)	26,381	Amount to be paid to	
		Sewer Maint.	
Special Assessments Receivable	73,280	Fund	<u>2,725</u>
Amount to be paid from General			
Fund	756	Total Due	<u>\$ 266,867</u>
Interest to be Collected on Special			
Assessments	60,632	Assets	\$ 285,097
Additional Collect. (1.86/Unit per Mo.)	<u>22,208</u>	Total Due	<u>266,867</u>
Assets for Repayment	<u>\$ 285,097</u>	Excess Assets	<u>\$ 18,230</u>

This report is intended solely for the information and use of the Village of Walkerville management, the Council members, the State of Michigan, and USDA, Rural Department and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the courtesy extended to us during our audit. We are available year-round to assist in the implementation of any of the recommendations set forth in this letter or to answer any questions regarding the audit.

Respectfully submitted,



Jodi DeKuiper, CPA  
Hendon & Slate, P.C.